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ABSTRACT

The welfare of American families improved steadily for over 20 years after World War II. After the War on Poverty of the 1960s, the number of people living in poverty fell, reaching its lowest point in 1973. During the 1980s, homeless families, including those living in the streets, in cars, and in shelters seemingly appeared out of nowhere. As stories about them began to appear in the news media, citizens were shocked and wondered why there were homeless families. The answer is now obvious. Given the rapid increase in poverty among families between 1979 and 1983, continuing high levels of family poverty, and the continuing decrease in the availability of housing poor families can afford, family homelessness was inevitable. The private sector, responsive by definition only to the profit motive, cannot produce housing at a low-enough cost to be affordable to low-income families. If real changes in poverty policy and housing policy are made, accompanied by increases in spending, there could be a decrease in the total number of homeless families. Unless that happens, family homelessness, with all its attendant trauma and long-term consequences to children and parents alike, is here to stay. (ABL)

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# Macroeconomic Causes of Family Homelessness

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Macroeconomic Causes of Family Homelessness

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When you think of "the homeless," what image comes to mind? Most people share two images of the homeless. One is the skid row "bum," the alcoholic lying on the sidewalk with a bottle clutched to his chest. The second is the "bag lady," talking animatedly to people only she can see, as she pushes her shopping cart along the street. The image of the young mother with her three-month old baby, living in a garbage dumpster, doesn't come to mind. Neither does the image of the welder from Kentucky with his wife and two small children, driving across the country in an old beat-up pickup truck, looking for work. Neither does the image of the suburban mother of three who has been evicted from an apartment she could no longer afford after she and her husband separated. Yet families are the fastest growing segment of the homeless population. By 1987, the U.S. Conference of Mayors, in a survey of 29 cities, reported that homeless families represented over a third of the nation's homeless population and were increasing by an average of 31 percent each year (Waxman and Reyes, 1987). Families--mothers and children, couples and children--are the new homeless.

Homeless alcoholics have been an inner-city phonomenon for many years. The psychiatrically disabled homeless became part of the urban scene in the 1970s. But now, for the first time since

the Depression, there are families living in our streets; and not just in the inner city, but in suburbs and towns as well. As an attorney who has been associated with Legal Aid for many years put it, "Ten years ago poor families came to us for help with landlord/tenant problems. Now, they come to us because they're homeless." (Personal communication, 1985.) What has happened? Why are there families living in our streets? Why are they there now, when they didn't seem to be there only a few years back? These are the questions I would like to address in this paper.

I would like to argue that the current crisis in homelessness among families is the result of a shift in the balance between the number of low-income families and the amount of low-income housing available. Changes in the economy, in social policy and in demographic trends, beginning in the 1970s and accelerating in the early 1980s, affected the equilibrium between the number of poor families and the availability of housing they could afford. By 1983, the balance had tipped. The new equation was simple: there were now significantly more low-income families, while at the same time there was less low-cost housing. The homeless families that are evident in streets and shelters across the country are the net result of this disproportion.

## More Poor Families

The welfare of American families improved steadily for over twenty years after World War II. After the War on Poverty began in 1964, the number of people living in poverty fell rapidly,

reaching its lowest point, 11.1 percent, towards the end of the Vietnam conflict in 1973. While times got harder with high unemployment rates and high inflation rates during the 1970s, in 1979 the number of families living in poverty stood at 12.7 percent, about the same as in 1973.

However, under the influence of severe back-to-back recessions, and the Reagan administration's cuts in eligibility and benefit levels for AFDC families, the economic situation of families worsened significantly. Between 1979 and 1983, more than 10 million people, an increase of about 49 percent, fell below the poverty line. By 1983, the poverty rate reached its highest level in 18 years, 15.2 percent. Even after an economic upturn began, in 1984 the unemployment rate still stood at 7.7 percent. Families were hit hard. Mean family income fell by about five percent, for a total drop of 8.3 percent from 1973 to 1984. By 1984 the number of families living below the poverty line had increased by more than 25 percent, from 12.7 percent to 17.4 percent (Danziger and Gottschalk, 1985.)

Faced with recession, regressive tax policies and cuts in benefits, the poorest families lost the most. Between 1980 and 1984, the average tax burden for the poorest fifth of the U.S. population rose 24 percent, while cash welfare benefits declined 17 percent and food stamp benefits fell 14 percent (Hopper and Hamberg, 1986.) Danziger and Gottschalk (1985) found that over the period of 1973 to 1984, the mean income of the poorest 20 percent of families dropped by 34 percent, while that of the next

poorest fifth fell by 20 percent. In contrast, the income of the highest twenty percent fell by only two percent. By 1984 the poorest fifth of families received only 4.2 percent of total family income, while the richest fifth received 42.1 percent.

Thus, by 1983 there were significantly more poor families who could afford only low-cost housing than there had been only a few years before. Homelessness among families on a national scale was inevitable, unless the supply of affordable, low-cost housing increased rapidly to meet the need of large numbers of newly poor families.

Less Low-Income Housing

The high inflation rates and high interest rates of the late 1970s and early 1980s also contributed to record-breaking housing costs (L.A. County Dept. of Regional Planning, 1985.) At the same time, the new administration set about eliminating the federal role in providing low-income housing. These factors plus urban renewal and gentrification resulted in a decrease in the amount of affordable housing available to low-income families.

The Housing Shortage. In response to high interest rates and recession, the number of housing starts fell below the number needed for newly formed households, creating a housing shortage (Hopper and Hamberg, 1986.) As the shortage in supply increased, housing costs rose in response to high demand. In a condition of shortage, higher-income families had to "buy down" or "rent down," filling up housing that lower-income families might previously have occupied. "Gentrification" increased as middle-

income families that could no longer afford to buy homes in the suburbs rehabilitated inner-city houses or bought rental units that had been upgraded into co-ops or condos. By 1983 the National Housing Conference estimated that only half of "typical" households that would have bought homes in previous years could afford to purchase a mid-priced house. An estimated four million households that in previous years would have bought homes spilled over into the rental unit market. Vacancy rates fell to five percent nationally and as low as 3.7 percent in the Northeast and 4.4 percent in the West, well below the number needed to accommodate normal turnover (Hopper and Hamberg, 1986.)

Most important, housing costs rose faster than family income. During the 1973-1983 decade median rent rose 137 percent, from $133 to $315, while median family income rose only 79 percent, from $7,200 to $12,900 (U.S. Bureau of the Census, 1983, cited in Hartman, 1985.) Where possible, families responded to the housing shortage by sharing living quarters. From 1978 to 1983 the number of families "doubled up"--two to a dwelling unit--doubled, to 2.6 million, reversing a thirty-year trend (Hopper and Hamberg, 1986.)

The Low-Income Housing Shortage. As always, the poorest families were the hardest hit. By 1983 Hartman (1985) found that for renters with an annual income under $3,000, the median rent-income ratio--the proportion of a family's income spent for rent--exceeded 60 percent. The comparable figure for renters with an annual income between $3,000 and $6,999 was 55 percent; for

renters with an annual income between $7,000 and $9,999, 39 percent; and for renters in the $10,000-$14,999 income class, 31 percent. For reference, in 1983, the poverty line for a family of four was $10,178 (Congressional Budget Office, 1985.)

The Government Drops Out of Low-Income Housing. At the same time that the low-income housing shortage was becoming acute, the Reagan Administration introduced a new housing policy: "We're getting out of the housing business. Period." (HUD Deputy Secretary, cited in Hartman, 1986.) The Regan administration was as good as its word. During the Reagan years, the federal government mounted a "full-scale retreat from the housing role it began to assume during the New Deal and has followed, however inadequately, over the last 50 years" (Hartman, 1986.) Since 1980 the low-income housing budget has been cut by over 60 percent. In addition, for those families already in federally subsidized housing, HUD increased the amount a low-income family paid for rent from 25 to 30 percent of their income. Although Jack Kemp, the new Secretary of HUD for the Bush administration, is known to be more sympathetic to increasing the amount of affordable housing for the poor, it remains to be seen whether new housing policies will be put into place, given the current budget crisis.

## The Balance Tips: Homeless Families in America

By 1983, the excess of poor families over available low-income housing was apparent nationally. There were significant numbers of newly poor families, 25 percent more than there had

been as recently as 1979. At the same time, the supply of low-income housing had actually decreased. The balance tipped, and homeless families became more and more evident in streets and shelters across the country.

Actually, as Hopper and Hamberg (1986) pointed out, there was no "magic moment" when the threshold was crossed all over the nation. The number of homeless families in each city, and each neighborhood, depends on the balance between low-income families and affordable housing in that area. For example, New York City experienced a 25 percent increase in the number of families seeking shelter as early as 1981. At that time, the average length of stay for a family in the New York City shelter system was two months (Hopper and Hamberg, 1986.) By October of 1984 New York City was sheltering 3100 families a night with an average stay of 7.8 months; by the end of 1985 they were sheltering 4100 families a night with an average stay of over 14 months. In the absence of anywhere else to live, shelters were the new homes of poor families in New York City. On the other hand, the capacity of the low-income housing in other cities to absorb the excess of poor families as they try to adjust by doubling and tripling up may not have been exceeded until after 1983.

As New York's experience suggests, although the economy has improved since the end of 1983, the shortage of low-income housing has not. Dolbeare (1986) estimated that in 1980 there were 7.1 million very low-income households competing for 5.3

million affordable low-income housing units[1]. By 1985, she estimated that the number of affordable housing units had decreased by about 20 percent, to 4.2 million, while the number of very low-income households had increased, to 8.1 million. That comes to almost twice as many poor households as there are available low-income housing units. In some states, for example, California, the ratio is higher--almost four to one.

Now that the balance has tipped, the problem of the acute shortage of low-income housing, and the homeless families that result from that shortage, will be around for a while. At this point in time, the private sector, responsive by definition only to the profit motive, cannot produce housing at a low enough cost to be affordable for low-income families. Unless major changes in policy under the new Bush administration are forthcoming, the number of housing units affordable to poor families will continue to decline. Meanwhile, while the unemployment rate is declining the poverty rate--still 13.5 percent in 1987--continues to be much higher than it was during the 1970s (U.S. Department of Commerce, 1988).

However, should inflation pick up and/or the current economic expansion begin to falter (both events are considered likely by many economists, since the six-year "Reagan expansion" has been financed almost exclusively by debt, in classical Keynesian fashion), the poverty rate is expected to rise again.

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[1] HUD defines "very low income" as less than 50 percent of the renter median income and "affordable" as 30 percent of a very low-income household's income.

As this happens, we can expect to see a rise in the number of homeless families, other things being equal.

Conclusion. During the 1980's, homeless families--families living in the streets, families living in cars, families living in shelters--seemingly appeared out of nowhere. As stories about them began to appear in the news media, citizens were shocked. They asked, "Why--why are there homeless families?"

The answer to that is now obvious. Given the rapid increase in poverty among families between 1979 and 1983, continuing high levels of family poverty, and the continuing decrease in the availability of housing poor families can afford, family homelessness was inevitable. If President Bush accompanies the "kinder and gentler" rhetoric of his inaugral address with real changes in poverty policy and housing policy--changes accompanied by increases in spending--we could see a decrease in the total number of homeless families. Unless that happens, family homelessness, with all its attendent trauma and long-term consequences to children and parents alike, is here to stay.

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